Good governance for nonprofits

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Chapter 1. Got Good Governance?

All nonprofit boards have one thing in common. They don't work
—Peter Drucker

It may not completely agree with Peter Drucker's rather firm assessment of nonprofit boards, but it's worth rethinking where boards can be more effective and efficient. There is no perfect board, experts and consultants are also needed to help through critical views to produce a list that needs improvement.

Four Organizations That Have Done It

1. Mirriam's Kitchen
2. The Transational Genomics Research Institute (TGen)
3. The Association of Graduates (AOG)
4. World Vision International

There are some differences that these organizations have, they have the same experience in managing a series of real improvements of an organization. And it's called the Roadmap. Who needs a roadmap to good governance? Whatever organizational profile you have, it needs good governance with a mesh map that can lead to it. We all depend and rely on councils in carrying out some things, and there is no need to worry about them because they govern by doing.

Three Hats of Board Members

1. Governance Hat (carry legal authority to govern)
2. Volunteer Hat (doesnt carry legal authority)
3. Implementer Hat (limited authority, but is seldom worn in most boards)

It’s important that board members know the role they play in working together at any given time. All nonprofit board members have equal responsibilities. Perhaps some board members need more members, and in governance functions that is what this roadmap focuses on. Despite the many different aspects, it’s believed that the roadmap applies to all non-profit organizations, so that many or at least a few staff at least board members learn how to organize.

Defining “Good to Great” in the Nonprofit World

Good to Great Concepts were instructive to more than those in the private sector. It wasn’t long before leaders, writers, and consultants dealing with nonprofit organizations began applying them to nonprofit issues and situations. 2 Four years after Good to Great, Collins published Good to Great and the Social Sectors, a monograph about relating the Good to Great concepts to nonbusiness organizations. . He was prompted to write the monograph because he estimated that somewhere between 30% and 50% of those who have read Good to Great come from nonbusiness . . . education, healthcare, churches, the arts, social services, cause-driven nonprofits, police, government agencies, and even military units.

Good-to-Great Governance?

In the Good-to-Great study of for-profit companies, the implication is that the leadership of the board and of the organization is often indistinguishable, and rightly so, as it is common practice in the private sector for the CEO of the company to also be the chair of the board.Therefore, as helpful as the Good-to-Great model is in giving us sound principles of leadership and organizational behavior, even in the nonprofit world, it offers little advice on nonprofit governance. We may learn from Collins what will lead to organizational excellence, but we are left on our own as to what will lead to excellence in governance, either in the for-profit or in the nonprofit world.

Good Governance? Who Says So?

Most of the material on evaluating governance, however, consists of lists of best practices. For example, two organizations that are well known and respected in the field of nonprofit governance are:

• Governance Matters, formerly the Alliance for Nonprofit Governance (ANG), which serves nonprofit organizations in the New York City area with the objective of improving board governance by fostering an open exchange of ideas and information among a broad cross section of the nonprofit community.

• BoardSource, formerly the National Center for Nonprofit Boards, which is dedicated to increasing the effectiveness of nonprofit organizations by strengthening their boards of directors.

Each of these organizations has developed a list of principles or indicators of nonprofit governance quality, namely:

Twelve Principles of governance that power exceptional board(BoardSource)

1. Constructive Partnership
2. Mission Driven
3. Strategic Thinking
4. Culture of Inquiry
5. Independent Mindedness
6. Ethos of transparency
7. Compliance with Integrity
8. Sustaining Resources
9. Results Oriented
10. Intentional Board Practices
11. Continuous Learning
12. Revitalization

Nonprofit Governance Indicator Guide (Governance Matters)

1. Board Effectiveness (5)
2. Board Operations (8)
3. Strategic Planning (4)
4. Program Effectiveness (4)
5. Stability of Funding Base (5)
6. Financial Oversight (7)
7. Constituent Representation (2)
8. External Relations (4)
9. Evaluation of the Organization's Operations and Impact (2)

While there are numerous similar lists from other organizations and publications, these three demonstrate what all these lists seem to have in common, i.e., they recite what good boards do. To help bring these principles to a more practical

1. Work with the CEO
2. Adopt a clear mission
3. Select a CEO who is equipped to advance the mission
4. Elect a chair
5. Define the criteria for new member
6. Govern through policies
7. Form committees
8. Insist on great meetings
9. Be accountable
10. Pursue excellence

It’s Not So Much the What as the How

The Policy Sampler is a reference book that discusses how board policies can be developed in some fourty-nine different areas of nonprofit governance, which are assembled into eight different categories. It is an effective reference that will be useful to nonprofit leaders who want some help in drafting policies. In the end, however, the Policy Sampler goes only partway in moving the nonprofit board from good to great. The preceding quote from the Policy Sampler say: A nonprofit organization can move its governance from good to great if its board of directors develops policies that cover every aspect of the organization’s business and documents them in a Board Policies Manual that it reviews at every board meeting and updates frequently.

Chapter 2. The Board Policies Manual : Your Essentual Guide

What is BPM?

A BPM is a document—really an organized booklet with an outline of a specific topic—that contains all the important (sustainable) policies that any board needs to address.

BPM in the hierarchy of board documents

1. Federal and state laws (the Board expects staff to monitor)
2. Parent Organization Policy (Does not apply to all nonprofits)
3. Articles of Association (Rarely need to be changed)
4. Bylaws (Must be revised and updated regularly)
5. BOARD POLICY MANUAL (BPM) ("One vote" of the board in a comprehensive document extending to 15–20 pages)
6. CEO-level policies (Planning documents, personnel manuals, etc.)
7. Other organizational policies (Often determined within and by various staff units)

BPM Content and Organization

BPM is organized into five sections, the content contained in each section is reviewed and always refined based on board actions as the board adjusts to reality and becomes wiser in its governance leadership. Briefly, here is an explanation of each section.

BPM Part 1: Introduction and Administration

Part 1 of BPM states the purpose of BPM, how it is managed, who is responsible for the various sections and subsections, and how it is implemented in the organization's governance model. It is therefore important to understand the purpose and context of BPM.

BPM Part 2: The Essence of Organization

One of the principles of nonprofit boards is strategic thinking. The board has the opportunity to signal and approve the strategic direction of the organization. There are many libraries full of books on how to write vision and mission statements, how to set and maintain core values, and how to develop a strategic plan.

BPM Part 3: Board Structure and Process

Includes features such as:

1. Governance style, outward-looking, strategic thinking, one-voice speaking
2. Board job description, main functions, scope of action
3. Board membership, board size, member qualifications, tenure, election process, dismissal rules
4. Officers, for example, responsibilities, tenure, election process, rules
5. Committees, number and type, scope of responsibilities, selection of members, relations with staff, expectations of members
6. Advisors and task forces, founding authorities, roles in governance processes

Some provisions of local regulations can be repeated in BPM to provide a concise but complete explanation of a particular topic. By doing this, we avoid having to go back and forth between BPM and bylaws.

BPM Part 4: Board–CEO/Staff Relationship The most important relationship for organization effectiveness is that between the board and the CEO. Part 4 includes not only everything that the board needs to say aboutits relationship with its one agent, the chief executive, but alsowhat it wants to say about the staff in general. These issues will all be discussed in more detail later on, but here are the typicaltopics addressed in this part:

1. How authority is conveyed from the board to the CEO
2. What is expected of the CEO overall
3. How, when, and by whom the CEO will be evaluated
4. How, when, and what the CEO communicates with board members
5. Guidance on how the CEO is to employ and treat staff
6. What happens when the CEO resigns or is asked to leave

BPM Part 5: Executive Parameters

This part provides more specific guidance from the board to the CEO on the major functional areas of the organization. The CEO is the single agent of the board, and the CEO is responsible for managing the organization within the parameters set by the board. Often the policies in this part are expressed as limitations, e.g., limits on spending, program expansion, hours of operation, or service delivery. Although most of the policies in this part do serve to limit the CEO, we prefer the less negative label of setting parameters for executive actions, whether the statements indicate whatthe board wants done or what it does not want done.

Benefits of the BPM

Strategic Benefits of the BPM

According to this book, BPM is the easiest way for boards to improve the way they manage their organizations. In John Carver's book entitled "Boards that Make a Difference" three basic products or contributions of boards that cannot be delegated are identified, he calls them “the irreducible minimum contributions of governance.” They are:

a. Linkage to the ownership. Connecting the moral owners with the organization.

b. Explicit governing policies. Expressing the values and perspectives of the organization in explicitly enunciated and properly catalogued policies.

c. Assurance of organizational performance. Ensuring organizational performance that is consistent with applicable policies.

We see the BPM as speaking directly to each of these essential contributions of the board.

a. Linkage to the ownership.

b. Explicit governing policies.

c. Assurance of organizational performance.

Tactical Benefits of the BPM

Here are several benefits of the BPM that boards have found : The Board Speaks with One Voices, Policies Are Explicit, Efficiency of Having Board Policies in one Place, Efficient Orientation of New Board Members, Eased Policy Development and Elimination of Duplication, Clear Guidance to the CEO, Modeling Efficiency and Competence to CEO and Staff

The BPM and the Roadmap

Although the benefits of the BPM are well known and persuasive, we have found that too few nonprofits have a BPM, and fewer still make it an integral part of their governance process. The fundamental reason for not developing a BPM is that boards and CEOs don't know how to do it. Indeed, a large percentage of the BPMs or similar documents being used by nonprofits have been developed by consultants. While working with consultants is one appropriate approach to developing a new BPM, the majority of nonprofits do not have large consulting budgets.

Then the Road Map is useful for telling exactly where we are, how to reach our destination, even providing several routes to the destination we want to achieve. However, some maps with different scales seem very complicated to implement nowadays, so GPS devices are used more often because they can handle scales easily. Some people may prefer BPM which provides the big picture to a more detailed nature. Although the label is outdated a roadmap will provide a variety of options, it will be similar to a GPS in terms of its flexibility and versatility across a variety of nonprofit organizations.

chapter 3. Planning and packing : Committing to the BPM

Plans are only good intentions unless they immediatelly degenerate into hard work
-peter drucker

Introduction

1. Acknowledging the Importance of Planning

● The introduction emphasizes the self-evident significance of effective planning in every endeavor.

● The message from Peter Drucker serves as a reminder of the profound role planning plays in success.

2. The Pitfall of Neglected Plans

● The text underscores the common phenomenon of plans deteriorating due to neglect.

● It highlights how such neglect can render plans entirely useless.

Milestones on the Way to Commitment:

1. Getting the Board on Board
   - Establishing alignment between the CEO, the board, and BPM development.
   - Emphasizing that the BPM is owned and maintained by the board, underscoring its importance.
   - Even if familiar with governance models, never take the board's buy-in for granted; clarify the BPM concept.
   - Consider involving a consultant if necessary, as their expertise can facilitate the commitment process.
   - Acknowledge that workshops can be a powerful tool to introduce the BPM concept to nonprofit clients.
   - Be cautious, as enthusiasm from workshops may wane, and only a portion of clients proceed to BPM development.
2. Consultant's Role (if applicable)
   - While consultants can aid in initial selling, they may not guarantee long-term commitment.
   - Be aware that roadblocks to commitment can arise; consultants may not guide through all roadmap legs.

3. Independent Journey

● This book aims to empower readers to undertake this journey independently.

● The following steps outline a four-step process to secure board commitment, resembling a major proposal presentation.

● If you already possess a strong relationship with the board, you may skip certain steps.

● It's easier to skip a step if needed, rather than add one.

Commitment Steps (Four-Step Process)Step

Step 1 : Initial Presentation

● If you are not the chair or CEO and starting from scratch, initiate the commitment process.

● Present the BPM concept to the board and highlight its significance.

● Emphasize the board's ownership and the transformative potential of BPM.

● Seek preliminary feedback and openness to furtherdiscussions.

Step 2: Board Engagement

● Engage the board in more in-depth discussions.

● Address questions and concerns, providing additional information and insights.

● Begin to build consensus on the necessity of BPM development.

Step 3: Formal Proposal

- Formulate a formal proposal outlining the BPM development process.
- Specify the roles and responsibilities of the board, CEO, and any external consultants.
- Present a detailed plan for BPM integration into the organization's governancestructure.

Step 4: Board Approval

- Seek board approval for the BPM development and integration plan.
- Ensure that the commitment is documented and formalized.
- Encourage the board's active participation in the subsequent journey.

THE PROCESS OF SUBMITTING A PROPOSAL

1. **Lay the groundwork**

To implement a Board Policy Manual (BPM), discuss its benefits with board chairs, CEOs, and governance committees informally. Allow them time to investigate the value before requesting it on the board agenda. References from Carvers and BoardSource can provide valuable insights on the support for documenting board policies systematically and using them as a primary tool for governing. Additionally, check with board colleagues to see if they have experience with BPM or similar documents on other boards.

2. **Formalize your proposal**

To present a BPM case to a subgroup of the board, such as the governance committee, give a similar presentation. A full rehearsal can provide feedback and support from influential members, potentially leading to the proposal being brought to the board as a committee recommendation. The goal is to secure their support and a slot on the next agenda, which should be at least two hours long, depending on the board's size and resistance.

3. **Refine your proposal**

After presenting your proposal on the BPM concept, consider preparing board members for the meeting. If boards have protocols for sending materials, consider pre-mailing material to alert members about the proposal and its rationale. Use Chapter 2 of the book to describe BPM and reference other references. Allowing board members to contribute to the research adds credibility to the proposal and provides an additional source of research for more diligent members.

4. **Present to the board**

Your presentation should be a logical extension of your preparation, premeeting conversations, mailings, and follow-up communications with board members. Prepare the board for a BPM decision by preparing them for meetings, mailings, and follow-up communications. Emphasize the board's commitment to the BPM development and request a formal vote. Include members' commitment to review drafts and offer constructive feedback for a successful BPM development effort and an uneven integration into the governance model.

Thank You :)